Conserve Now or Pay Later

Energy Crunch Forces Greater Conservation Measures

by TSgt Michael A. Ward
AFCESA Public Affairs

Last November, an odd story appeared in an Associated Press news report. It said residents in parts of California were being asked to cut back on Christmas lighting due to energy shortages.

Most people outside of California probably didn't pay much attention to the story at the time, but it's now national news and California's energy problems are threatening to spread outside the state's borders as summer approaches.

The problems began innocently enough as an attempt to give California residents greater control over their utility bills, which were some of the highest in the country, according to the *San Francisco Chronicle*.

An appealing solution was deregulation of utilities, and in 1996 the California Legislature signed deregulation into law (deregulation began in 1998). Key components of the legislation included a 10 percent reduction in electrical rates for the approximately 27 million residential customers of the state's big three utilities and a customer rate freeze until March 31, 2002, (or until utility companies paid off all their past investments), according to attorney Lt Col Bill Wells, chief of the Air Force's utilities litigation team.

To encourage competition in power generation, the state strongly urged utility companies to sell off at least half of their power plants. Legislators believed that would create numerous new power plant owners, none of whom could single-handedly influence the price of electricity. They were wrong on both accounts. Selling off their power plants left utilities exposed and vulnerable. Not only were they unable to produce their own energy, they were also at the mercy of power wholesalers, including those who purchased their plants.

At first deregulation worked, but the dominoes for failure were set in motion in early 1999 when demand began to outstrip supply. No new major power plants had been built in the state for 10 years; yet electrical demand had surged dramatically upwards because of an increase in hi-tech industries and a growing population. Compounding the problem, California imports up to 25 percent of its electricity from outside the state. Neighboring states were also experiencing increased demand from their own customers, meaning less power available for export, Wells said.

Prices paid by utilities companies for electrical power suddenly began skyrocketing as wholesaler market rates jumped from as low as two cents per kilowatt-hour to more than a dollar. Since the price increases could not be passed on to customers because of the previously imposed price freeze, the utilities companies' debts rose at an incredible rate. In just a few months, PG&E and Southern California Edison, two of California's largest utilities, fell billions of dollars into the red. At one point, some suppliers stopped selling power to them because of their declining credit rating.

California and the federal government have recently stepped in to prevent the utilities from going under, enacting emergency measures requiring wholesalers to continue selling power to the utilities and allowing utilities to enter into long-term energy contracts which offer lower prices. In addition, the state allowed PG&E and Southern California Edison to raise rates by 15 percent for large commercial and industrial customers including military installations.

Because of the state's problems, bases have had to dust off long-dormant contingency plans and step-up existing energy conservation measures. DoD is looking at ways to reduce the electrical demand at California installations by 10 percent over last summer's peak baseline and by a 15 percent reduction by next summer. The Air Force Civil Engineer Support Agency, in conjunction with the major commands and affected bases, has developed several options to reduce demand, including greater conservation and producing power independently through Air Force-owned generators.

So far, the periodic rolling blackouts throughout California have not had a major effect on any installation. However, the state's energy problems are far from over and government officials believe other states will soon be affected as demand increases and supplies dwindle nationwide. With summer coming, officials are worried.

Energy Secretary Spencer Abraham recently compared current energy problems to the energy crisis of the 1970s and warned that California's problems are not isolated or temporary.

"We've told other bases it's not too early to think about conservation; smart, long-term conservation," Wells said. "We've already seen rates increase in all western states and it's spreading eastward."

Sidebar:

California, as well as the nation, is also dealing with a shortage of natural gas. Extremely cold weather, particularly in the northeast, combined with decreased drilling has forced prices up almost 300 percent in the past three months. Drilling has resumed, but prices are expected to remain high for several years. Crude oil and gas prices are also expected to increase by summer, driven in part by the March announcement by the Organization of Petroleum Exporting Countries that it would reduce its crude oil production by one million barrels a day.